work for which it was organized, formally requested the Chamber of Commerce of the United States to pursue the subject through its legislative stages and disbanded; the Chamber, through its Committee, followed the matter closely until its "Federal Reserve Act" became a law.

The Educational Campaign for Banking Reform

By A. D. WELTON
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ORGANIZING the National Citizens League in 1911 was no less a task than organizing the country. It was the final step, outside of political declaration and legislative action, to bring about a demand for the reform of the nation's banking laws. The havoc of the last panic had been wrought. Emergency legislation in the form of the Aldrich-Vreeland Act was on the Statute Books. The Monetary Commission had junketed, experted and ruminated and Senator Aldrich was working on a reform proposal.

From these statements it might be gathered that public sentiment had at least begun to crystallize; that the subject of all this discussion and effort was nearing the point of issue and action. Nothing was farther from the truth. There was no popular comprehension of what it was all about. Panic meant only a lack of currency. Newspaper writers were miles at sea. Politicians were floundering in darkness. Practical bankers were looking to their few leaders for guidance. The economists, however clear their theories, were blinded by traditions. and precedents of long standing. There was a dominant desire for a change but any suggestion of a practical plan raised a clamor of hostility to centralization, the great political bugaboo.

The persistence of political rancor found a new demonstration every time a central bank or the centralization of banking power was mentioned. The traditions of the Democratic party stood as strongly in this respect as when Andrew Jackson and Nicholas Biddle fought over the Second Bank of the United States eighty years before. The mention of asset currency roused the smoldering fires of greenbackism and free silverism. It was plain that many people cherished the belief that issuing currency was a sovereign power of the government, and Mr. Bryan was present to insist that such was the case.

Every time the question of currency had come up for popular consideration in the three preceding decades, the believers in soundness as wrought by a single gold standard had been on the defensive. They merely prevented their enemy from doing something vicious. The one constructive bit of legislation was the Gold Standard Act of 1898. That followed the affair of 1896 as the Aldrich-Vreeland Act and the appointment of the Monetary Commission followed the panic of 1907.

EDUCATION A FORMIDABLE UNDERTAKING

All the studies of the Commission pointed to the necessity of a plan for banking coöperation, for mobilizing reserves, for making both currency and credit elastic, and for creating a discount market. It was a formidable

enough undertaking to make any considerable portion of the people understand these things. It was a much larger one to make a considerable portion of them unlearn the financial follies they had been taught.

For this undertaking the teachers were not many. It was necessary to train teachers. The bankers were of little assistance in this way. Very few of them understood the science of banking, however versed they might be in the art of it; fewer still were competent to teach the economics of money. Moreover, the bankers were under suspicion. Had they not defeated Mr. Bryan in 1896 and subsequently and also subsequently? Mr. Bryan had frequently testified to that fact.

Finally, Senator Nelson W. Aldrich was Chairman of the Monetary Commission. For years he had been in a conspicuous position of leadership. His name was synonymous with everything abhorrent to progressive thought. In the public mind he was first friend of the trusts, advocate of special privilege, the defender of Wall Street and ally of the money devil. Politically, it made no difference that the Senator from Rhode Island had worked hard for years to equip himself for the task now on hand. It was of no moment that his great ambition was to give the United States a sound banking system or that his devotion was complete and unselfish. He was a popular target for editorial anathemas and anything emanating from him must be bad because of its origin.

In June, 1911, approval of a plan for a new banking system meant approval of Aldrich. The National Citizens' League came into existence under a handicap.

The "Money Trust" was an active monster of that day also. It was an indefinite something which could be charged with all kinds of crimes and would plead to no indictment. There were two "money trusts" in fact—one that the politicians created out of their vivid imaginations for their own private uses, and another, defined as a "community of interest" among powerful bankers, created by a defective and inadequate banking system. The imagined "Money Trust," linked with a plan to reform the banking and monetary system, became much more imposing as a political spectre. Such a "Money Trust" must necessarily have impious designs, and what more natural than it should seek to have the banking laws remodeled to fit its own purposes!

Here was another barrier the League had to take.

Political and Partisan Complexities

Another circumstance lets in light on the difficulties that lay before this economic missionary. Republicans had passed the Aldrich-Vreeland law and planned the work of the Monetary Commission. Republicans had planned to drive through a new banking act. But a new Congress had been elected with a Democratic House. There were even predictions that the next president would be a Democrat. Wisdom forbade that the League have even a remote appearance of partisanship. As a matter of fact the manner of its organization made partisanship impossible but it was frequently charged in the first months that this was "the million dollar organization formed to put over the Aldrich banking scheme."

It is unnecessary to go farther into the conditions of the day to show that the League had a large task and that it would have to justify itself by performance if it was to survive and succeed.

EARLY INVENTORY OF THE LEAGUE'S WORK

It succeeded so well that in March, 1912, it took account of itself as follows:[1]

The campaign for banking reform has been carried into 44 states. The National Citizens' League has now 46 organizations—one in each of 43 states, two in California, and the German section with headquarters in New York City. The extension of this organization work reflects the progress of the sentiment for an improved monetary and credit system.

The League came into corporate existence in June, 1911. It is a non-partisan organization. It has no affiliations with any class or any interest. Among the 1,500 officers of its branches and its increasing thousands of members, men engaged in manufacturing, merchandising and agricultural business are in the great majority. The business element is preponderant. The League and its campaign have been indorsed by resolutions adopted by 68 boards of trade and associations of commerce and similar organizations.

There is reason for this preponderance of business men. The League had its origin at a meeting of the National Board of Trade in Washington. The business organizations represented there felt that they should have a voice in the question of improving anything of such vital interest to them as the monetary system.

C. Stuart Patterson, of Philadelphia, was made chairman of a committee appointed at that meeting which later conferred with the Chicago Business Men's Monetary Reform League.

The Chicago Association of Commerce volunteered to launch the new organization and requested the present Chicago Executive Committee to undertake the work. Thus the National Citizens' League came into existence.

The astonihisng feature of the progress of the League is that it has met practically no opposition. This is undoubtedly due to the fact that its work has been wholly educative. It has indorsed no particular scheme of reform. It deals in concrete plans only by way of illustrating the great general problems of efficiency of bank reserves, a discount market, independent banking, an elastic currency and credit system and adequate banking facilities. Its belief is that when the people come to have an understanding of the fundamental requisites of an efficient monetary and banking system the legislation will take care of itself. With the fundaments understood, as they will be, the working out of the details may be left to Congress. How the application is made, or what the system is called are matters of no importance. Who frames the measure finally adopted or after whom it is named, are equally inconsequential.

RECRUITING THE FORCE OF EDUCATORS

It is not surprising that an organization so elaborately born should have a name as elaborate. Almost the first error was in this selection. The National Citizens' League for the Promotion of a Sound Banking System was the cumbersome heritage of the men who later assumed the work of giving the scheme publicity. As the economists—the professors of political economy—were about the only ones who could write on questions of banking, they were drafted early. The work of creating organizations in the various states was speedily got under way. Pamphlets on pertinent subjects were produced and printed. Speakers—mostly economists—were recruited. A declaration of the principles the League indorsed was made. Large sums of money were spent. Later, and not much later, the difficulty that always confronts such organizations, was encountered. It was necessary to expend time and energy in raising funds to support the work.

The publicity work was conventionally organized. Pamphlets, whose distribution called for mailing lists,

[1] *Banking Reform Magazine*, March 16, 1912.

were a matter of course. Membership in the League at $1 a year carried with it all published matter and an obligation to spread the gospel.

The state and local organizations, in some cases self-supporting but always with a paid secretary, supplied names for the mailing lists and often did the distributing. The entire list of League officers and directors would make a business blue book. Local secretaries were chosen, so far as possible, because of some familiarity with publicity methods. There was no rule. In some states publicity was the only medium used. In others, dependence was placed on meetings and speakers. In still others, local business organizations were enlisted. This was all ordered by expediency or the desires or peculiarities of the local officials.

The undertaking of the central office in Chicago was to guide the thought of every member of the League, every officer of each state organization. As loosely joined as the organization was, a single policy and harmony of purpose were indispensable.

The marvelous and general lack of familiarity of the general run of bankers and business men with monetary problems was of great assistance. They had to take what was given them because they had practically no other sources of information. The old sources of monetary information were dried up. Previous demands for monetary reform were directed at the currency and the quantity of it. Financial progress in terms of elastic credit and bank reserves was unprecedented and, considered by itself, strikingly logical.

This is not to say that the old "isms" did not outcrop at frequent intervals and in unexpected places. The local secretaries watched carefully for such outbursts and they were carefully met and countered. Some of these were temporarily serious but usually they were ludicrous. All were treated alike. If the opponent of banking reform or the advocate of something unsound found space for his outpouring in a newspaper, the same newspaper was supplied with other material, often through a local League representative. If the first newspaper refused publicity, the rival paper was tried. If both were recalcitrant a local mailing list was compiled and used.

MONTHLY MAGAZINES THE GREATEST PUBLICITY MEDIUM

The League's monthly publication, *Banking Reform*, was used in most cases. It was the uninvited visitor to every newspaper office in the country. It could be, and frequently was, used to meet some special opposition. When a weekly paper in an obscure county of California assaulted the Monetary Commission, the League, banking reform and everyone interested in it, a special edition of *Banking Reform* was printed and sent to everyone in the county. It was effective.

When a venerable, retired county judge in Texas unlimbered a page of heavy artillery in the county seat paper on the sacred and sovereign right of the government to issue money, the case could not be ignored. The rhetorical flood was broken up, the facts extracted and a reply written and sent to the paper. It was published—two-thirds of a column. The venerable judge countered with another solid page. The reply was short and pointed. The judge was unwittingly doing well for the League. He became interested in the new proposition. He wrote to headquarters for pamphlets. A month later he graciously acknowledged his conver-

sion, sent in a dollar and joined the League. This incident had no repetition. The devotees of greenbacks, free silver and the "sovereign right of the government" were, and are, irreconcilable but they were not troublesome for long. Their attack lacked versatility and mere continuity made it tiresome.

From the viewpoint of real publicity the monthly, *Banking Reform*, was the mainstay of the publicity campaign. It was the messenger to the press. It permitted repetition and reiteration, which were necessary to give editors familiarity with what was to them a new terminology. It was slow and disheartening work for many months. Once the fervor of early political controversy had cooled and political economy was the order, publicity results were scant. In the central office clippings were garnered with care and treasured in the files. One of the first months of effort brought only seven. The next month there were none, which was interpreted to mean that the seven were accidents or incidents of editorial good nature.

A TIME WHEN POLITICS HELPED

Politics again intervened to give a stimulus. The other side of the League's organization was at work. State conventions of the political parties were ahead. The League's text book, *Banking Reform*, came from the press. The book was distributed widely to members, whose number it was instrumental in increasing greatly, and was extensively reviewed. The book stimulated interest in the magazine for which the demand also increased. The clipping agency employed began to send in bulkier packages. These could now be read but they were no longer filed. When the Alabama Democratic convention had declared for "a democratic and non-partisan revision of our antiquated banking laws" and demanded the creation of an "elastic note and credit system," the turn came. The politicians were becoming familiar with the terminology.

In the platforms of state conventions of both parties—and they followed rapidly—there were phrases and terms which bespoke familiarity with the League's literature. Naturally these platform utterances were commented on by newspapers everywhere. The comments were almost universally favorable. The terminology in this field began clearly to indicate familiarity with banking reform.

In June, 1912, came the great national conventions. Both Democrat and Republican platforms had planks on the monetary question. Neither one of them meant anything in particular. The Republicans called attention to the party's historic stand for a sound currency, and the Democrats smashed away at Wall Street and the "Money Trust." The League's publication said that banking reform "is a political question only so far as its solution requires political attention in the highest sense of the term. There is no chance that a Democratic scheme of reform will be better than a Republican scheme because it is offered by Democrats, or that a Republican scheme will be superior because it is offered by Republicans. In banking methods neither party is at an advantage over the other because banking is not a matter related to their differing conceptions of popular government."

Committed to banking reform and not to politics or party, the League's purpose was to keep, so far as possible, the question from assuming a partisan aspect.

With the political phase formally entered, however, the publicity campaign became more difficult in one

aspect and much easier in another. There was no longer difficulty in having matter accepted and printed by all kinds of publications. It was in constant demand. The problem was to hold discussion to the essentials. Clippings now came in huge bundles and were dumped summarily into waste baskets. No one had time to look at them. The venerable judge from Texas might have flashed his message in fire on the sky and no League official would have heeded, for banking reform had passed from the stage of a vague request to a demand for speedy political action. It was no longer a question of a new banking law, but what kind of new law.

Enunciation of Fundamental Principles

In September, 1912, the League stated the principles it believed should underlie a banking bill. The statement gave as the reasons for banking reform:

To prevent the recurrence of money panics.
To provide for seasonal and special demands for currency and credit.
To insure more uniform and steady interest rates throughout the country.
To divorce commercial from investment banking.
To strengthen our international credit.
To establish higher standards of banking.

It is remarkable, perhaps, in the light of current discussions that in 1912, *Banking Reform* said:

The National Citizens' League believes that these reforms in our banking and currency system can be best brought about by the formation of a coöperative association of all classes of commercial banks, with restricted powers, managed by a board of bankers, Federal officials and other citizens. The Association should not be a money-making institution and all earnings beyond a fixed rate should go to the national treasury. This association should:

Hold the final banking reserves.
Act as fiscal agent of the government.
Rediscount standardized commercial paper for banks at published rates of discount uniform over the country.
Issue circulating notes secured by gold and commercial paper.
Deal in gold and foreign exchange.
Establish foreign agencies.

It must be remembered that this statement was made two months before Woodrow Wilson was elected president and eight months before Congress began to debate the Glass bill.

The League's principles were carefully drawn very early in the campaign. They took no account of partisanship, except to guard against it, as generally befitted an organization of business men bent on securing an economic reform. The principles were:

1. Coöperation, not dominant centralization, of all banks by an evolution out of our clearing-house experiences.
2. Protection of the credit system of the country from the domination of any group of financial or political interests.
3. Independence of the individual banks, national or state, and uniform treatment in discounts and rates to all banks, large or small.
4. Provisions for making liquid the sound commercial paper of all the banks, either in the form of credits or bank notes redeemable in gold or lawful money. Legalization of acceptances and time bills of exchange in order to create a discount market at home and abroad.
5. Elasticity of currency and credit in times of seasonal demands and stringencies, with full protection against over-expansion.
6. The organization of better banking facilities with other countries to aid in the extension of our foreign trade.

In the beginning, these six principles were the guide in all publicity. Their amplification came when the

final political stage was reached as noted above.

The so-called "Money Trust" investigation was an incident which received only incidental attention. In an educational way it had no significance. What is known as Wall Street never showed hostility to the League; it gave much financial assistance and seemed quite unconcerned over the prospect of decentralized bank reserves.

ATTITUDE OF BANKERS AND OTHER ORGANIZATIONS

Bankers and bankers' organizations were always helpful and friendly. They were never keen for the League's principles and, as a rule, they were collectively and individually more interested in the probable effects of any change in laws on their established method of operation. In this respect they often clashed with the business men whom the League represented but they always admitted the need of change in the banking scheme.

As the campaign progressed other forces came in to give assistance and often to interfere. Usually these organizations made plans. Of plans for a new banking system there was a myriad. They came up from all sides. Everyone seemed to have a plan. The League never had one. In that lay its strength.

In September, 1921, Woodrow Wilson spoke of the need for a new banking law in his address accepting the Democratic nomination for the presidency. Soon after his election, and that of a Democratic House and Senate, it became obvious that banking reform legislation would be a Democratic action. This political shift made it advisable to give unusual attention to the South because seniority would place southern Democrats in the important positions in House, Senate and elsewhere.

The new President's message on banking reform preceded action in Congress. That is another story. During this period of many hearings by the banking and currency committees the publicity was continued as actively as ever. As the League was concerned only with principles, and not with administrative forms, its printed matter gave no heed to the latter except for informative purposes. The magazine had naturally become the dependence of many thousands of persons for such information. Many newspapers looked to it for an interpretation of the news developments. Its influence was wide. Reading of the news and comment on the proceedings in Congress made the extent of this influence clear and certainly the members of Congress were not immune to it.

When the Glass bill had passed the House, it became apparent that the League's work was nearly done. It had undertaken only to lay a foundation for legislative action. It is true its organization work had been carried into practically every congressional district. The gospel of banking reform was carried most effectively to every congressman from his home. But when the Glass bill had become the Glass-Owen bill and the Senate had it under consideration, the League began to wind up its affairs.

CLOSE OF THE CAMPAIGN

In the last issue of *Banking Reform*, October, 1913, it was said:

> The League never undertook to participate in the actual work of legislation. Article 2 of the certificate of incorporation reads:
>
> The object for which it is formed is to give organized expression to the growing public sentiment in favor of, and to carry

on a campaign of education for, an improved banking system for the United States of America.

Of the success of the League's campaign there is no doubt. It is evidenced by the fact that for more than two years the question of monetary reform has been growing in the public mind until today it is the question of paramount political as well as economic importance. It has occupied the latter position for many years, but it was not until the League's work was well under way that it was lifted out of classification with the impenetrable mysteries to that of a great, and finally the paramount, public issue. One Congressman reduced the situation to terse form when he said, "No League, no bill."

The League has distributed literally millions of pamphlets. It has been the means of supplying literally millions of columns of matter to newspapers. It has supplied speakers for thousands of meetings. But the indirect results of its efforts have been more momentous. It brought interest in the question of monetary science to an acute stage. It challenged every argument founded on a false conception of monetary economics. It supplied material which made editorial work easier. It translated technicalities into simple language. It stimulated thought and discussion. It freed thousands from the thraldom of half a century of false teaching.

The fact that the Glass bill is not perfectly satisfying is in nowise attributable to failure on the League's part. It has been stated many times in these columns that the machinery by whose operation the principles enunciated were to be given operation might assume any one of many forms. The Monetary Commission evolved one form, the Glass Committee evolved another. Neither is perfect in anticipated operation. It is doubtful if any, machinery will be perfect until made over after practical test. But either plan has obvious merits and forms a basis on which can be built up an operating success.

The Executive Committee of the League feels, therefore, that the work of the organization has been practically completed and success has been achieved. It will retain its corporate entity and maintain its organization intact against possible contingencies until results are written in the statute books. But unless the unexpected happens, the League will rest content that the question of banking reform and its satisfactory solution is in the hands of the national legislature. Over this body it has no control, and seeks none, as it has had none anywhere save what was based on logic and built up on adherence to proved principles of monetary economics.

As a final testimony of the efficiency of the League's campaign, it may be pertinent to record that the terse statement, "No League, no bill," was made by the Honorable Carter Glass.

The Federal Reserve Act in Congress

By H. PARKER WILLIS
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MUCH has been vaguely or erroneously written of the early history of the Federal Reserve Act and there is already a widespread misunderstanding regarding it. Some part of this misunderstanding is due to the fact that much of the work on the Act was done in committee or in caucus or in private conference. To review the whole history of the measure would be a task of lengthy detail. The following article is not intended to enter into any such elaborate review but to set forth in compact form the chief facts, without controversial discussion. What it offers is merely a consecutive outline of the history of the Federal Reserve Act during its formation and subsequent